

Second Street Crossing Fiscal Impact Report



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Executive Summary:

This report presents the fiscal analysis of the Second Street Crossing Project. This 183,000 square foot project consists of a 137,000 square foot Target store with 46,000 square feet of ancillary retail pad sites. It assumes the retail center would open in 2007 with 2008 as the first full year of operation. The project site is located on the eastern side of Davis at the intersection of Faraday and Second Street. This area is currently zoned for mixed use of office and service commercial and would require an amendment to the General Plan.

The fiscal analysis presented in this report is based on the model developed by the City over the past year to assess the fiscal impacts of major development projects. City staff developed the current model with insight from the Finance and Budget Commission and maintained a conservative approach to the assumptions.

The analysis shows that the Second Street Crossing project can be expected to have a net positive fiscal impact. Under the base case scenario net positive fiscal impact is estimated to be \$675,000 in 2008.

Table 1 – Summary of Annual Net Fiscal Impacts

	2008	2009	2010	2011	2012	2013
Revenues	\$831,029	\$855,206	\$880,093	\$905,713	\$932,086	\$959,235
Expenditures	\$155,872	\$163,201	\$170,877	\$178,918	\$187,341	\$196,164
Net Fiscal Benefit	\$675,157	\$692,005	\$709,217	\$726,795	\$744,746	\$763,071

The single major contributor to this result is the sales tax projected to be generated by this project. The analysis also takes into account an expectation that the project will generate some of its taxable sales at the expense of existing retail sales within the City. For the base case analysis the model assumes that 75% of sales will be net new.

A sensitivity analysis was conducted to look at the upside and downside potential of the project and to test how sensitive the results were to several key assumptions. The primary assumptions that were modified in the sensitivity analysis were per square foot sales and percentage of net new sales. The range of the project's net positive fiscal impact is likely between \$600,000 and \$850,000. The conservative approach used in the base case analysis suggests that the project has greater upside potential than downside risk.

The net fiscal benefit represents the difference between projected project revenues and estimates of the project's "fair share" of City service costs. As such, the incremental benefit - which more accurately reflect the budgetary impacts of the proposed project - is better represented by the net new revenues for the project, estimated to be \$831,000 in 2008, with a likely range of \$750,000 to \$1,000,000.

The infrastructure impacts on the City are not expected to be significantly different than those already contemplated in the context of current General Plan build-out. The project is anticipated to generate \$3 million in development impact fees based on the current impact fee model. Additionally, the project is expected to generate \$472,000 in construction tax revenues, providing additional funding in support of City capital project needs. Further mitigations that were presented in the EIR such as an additional traffic signal and the potential widening of lanes to manage the increased traffic have not been addressed in this fiscal analysis. While it is anticipated that these areas would be addressed as part of the development agreement being negotiated with the project applicant, it is premature to

Finally, City staff reviewed alternate development scenarios in conjunction with the fiscal analysis. Two alternative project scenarios were developed, consistent with existing zoning. Each of these scenarios is discussed in the fiscal analysis to illustrate the potential development of the project site consistent with General Plan land use designation. One scenario would result in a positive net fiscal impact - albeit less than that of the Second Street Crossing proposal - while the other would result in a fiscally neutral impact. Each of these alternatives represents hypothetical projects and are not representative of alternate choices, but merely expressions of potential opportunities.

Introduction:

Purpose

A fiscal analysis serves multiple needs. Its primary objective is to estimate the impact of a development or a land use change on the costs and revenues or budget of the City. This entails estimating the recurring revenues and service costs that the project will bring and what this means to the bottom line. The second major function of the analysis is to assess the impact of the project on the current infrastructure and whether there will be a need to expand or improve City facilities as a result of the development. In addition, the ability of the City's utility infrastructure to absorb the increased demand of the new development within its current capacity is a key element. While these services are funded by enterprise funds which, by definition, are fully funded by connection and user fees, it is necessary to evaluate whether any additional capacity concerns arise.

The analysis is based on the fiscal characteristics of the City – e.g., revenue structure, expenditures, and baseline services – and characteristics of the development or land use change – e.g., type of land use, distance from central facilities, and impact on infrastructure. The analysis compares the revenues – taxes and user fees, –for example – that will be generated by the development to the costs of providing services to the new development.

Elements of Fiscal Analysis

A thorough fiscal impact analysis addresses the impact of development activity on both sides of a city budget: revenues and expenditures. The fiscal impact is the difference between the revenues and expenditures generated by the proposed land use or development scenario. This is sometimes more precisely referred to as the net fiscal impact. If revenues are greater than expenditures, a project or scenario is described as having a net positive fiscal impact. Should expenditures exceed revenues, a negative fiscal impact results. And, if revenues and expenditures are equivalent, the impact is said to be fiscally neutral.

In addition to the difference between revenues and expenditures the fiscal impact of a project would also include information on the capital needs produced in relation to the development. How these needs and the costs associated with them are mitigated is an important consideration of the City. Development Impact fees in conjunction with a development agreement are often the prime mechanisms for mitigation of these costs.

There are a number of approaches to estimating the fiscal impact of a development project. There are both average cost and marginal cost approaches. The average cost method is the most often used and does not take into account excess or deficient capacity to deliver services, and it assumes that the average costs of municipal services will remain relatively stable over time. Alternatively, marginal costing relies on analysis of the demand and supply relationships for public services. This approach recognizes that excess and deficient capacity exists in communities. It views growth not in a linear manner, but as a more dynamic process in terms the relationship between capacity and growth.

The Second Street Crossing Fiscal Analysis uses an average per-capita multiplier approach to assessing the cost of services in support of the project. The costs are assigned based on the current average cost of providing service multiplied by the number of expected new service units. The City of Davis uses a Dwelling Unit Equivalent (DUE) as the service unit. It is important to remember that a fiscal analysis is a narrowly focused analysis. It is primarily intended to assess the relationship between revenues generated by a project and the costs associated with the provision of City services. It is not meant to predict what will happen but rather help in describing how revenues and expenditures are expected to behave given a set of assumptions.

Project Description

The City of Davis is currently reviewing a project submitted by the Target Corporation titled Second Street Crossing (SSC). As of this analysis the proposal consists of the development of approximately 19 acres on the eastern side of Davis where Faraday Avenue connects to Second St. It includes 183,000 square feet of retail space with one major tenant, Target, occupying 137,000 square feet and four pad sites with a total of 46,000 square feet. The tenants of the pad sites have not yet been identified although they are assumed to be other retail stores including apparel, general merchandise, and eating and drinking places. The project is assumed to be completed in 2007 with the first full year of operation assumed to be 2008. There would be 680 parking spaces available on site with access to and from Interstate 80.

Socio-Economic Analysis – Draft Environmental Impact Report

The Socio-Economic section of the Environmental Impact Report (EIR) is a recent addition to the EIR process. It is included in order to consider the economic impacts on existing businesses and the effects on commercial retail space in the City. Specifically, it examines whether the project will contribute to urban blight through store closure and increased vacancies of retail space currently occupied in the City of Davis.

The report was prepared by the Sedway Group, a consulting arm of CB Richard Ellis (CBRE), Inc. The primary inputs for the analysis were market area sales, retail leakage analysis, population estimates, and taxable sales data.

Their analysis assumes that 90% of sales generated by the project would come from the primary and secondary market areas. The primary market area consists of the City of Davis only. The secondary market is defined as the balance of Yolo County including UC Davis and El Macero. Solano and Sacramento Counties as well as I-80 pass through traffic would constitute the Tertiary market.

Consistent with the findings of previous studies, the retail leakage was found to be significant in all areas that would be served by the Second Street Crossing project with the exception of food sales. Sedway's study estimates retail spending for the market areas. They then viewed the degree to which the market is currently capturing those expected sales. This is accomplished by examining the taxable sales data published by the State Board of Equalization and City tax consultants. Retail spending to the effect that is not fully captured by the home market is considered leakage. Cross-examination of the level of leakage per category to amount of expected sales in those categories resulted in the finding that there would be little impact on other retail sales within the City of Davis.

Sedway's analysis concludes that although the City of Davis' retail market is relatively small, there is significant retail sales leakage and very little vacancy. The City is presently under-served by general merchandise retailers, and there is not enough retail space to satisfy demand. As a result, the Sedway analysis concludes that the proposed project would result in a "less-than-significant" and would therefore not cause urban decay in the City of Davis.

While many of the assumptions used in the CBRE analysis were utilized in this analysis, in general, the fiscal analysis presented in this report employs more conservative assumptions – particularly as it relates to overall sales tax generation, levels of "diverted sales" and property tax revenues.

Fiscal Analysis – Impact on City Revenues and Expenditures

Revenues – Review of Model Inputs / Assumptions

Overall, the project can be expected to generate \$831,000 in annual revenues in 2008, the first full year of operation. This figure would grow annually, consistent with an annual inflation assumption of 3%. Roughly 80% of the annual revenues from the project would stem from Sales Tax, with roughly 6% coming from Property Taxes. The remaining 15% is from a variety of sources including Business License Tax, Public Safety Tax, and Prop 172 and Municipal Service taxes.

Table 2 summarizes the project’s annual estimated revenue for the five-year period from 2008 through 2012:

Table 2 – Estimated Annual Project Revenue

Revenues	2008	2009	2010	2011	2012
Property Taxes	\$53,088	\$54,150	\$55,233	\$56,337	\$57,464
Sales and Use Taxes	\$659,099	\$678,872	\$699,238	\$720,215	\$741,821
Prop. 172 Public Safety Sales Tax	\$24,093	\$24,816	\$25,561	\$26,327	\$27,117
Municipal Service Tax	\$16,628	\$17,127	\$17,641	\$18,170	\$18,715
Parks Maintenance Tax	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040
Public Safety Tax	\$20,318	\$20,927	\$21,555	\$22,202	\$22,868
Transient Occupancy Tax	\$0	\$0	\$0	\$0	\$0
Business License Tax	\$33,745	\$34,757	\$35,800	\$36,874	\$37,980
Franchise Fees	\$3,562	\$3,669	\$3,779	\$3,893	\$4,009
Property Tax In-Lieu of Vehicle License Fees	\$19,191	\$19,575	\$19,967	\$20,366	\$20,773
Fines and Forfeitures	\$265	\$273	\$281	\$289	\$298
Sub-Total Revenues	\$831,029	\$855,206	\$880,093	\$905,713	\$932,086

Property Tax and Assessed Value

Property Tax revenues are derived from the “base” assessed value of a property. The City of Davis, in turn, receives approximately 18% of the State’s 1% property tax rate (established by Proposition 13). The total assessed value of the project is estimated at \$28,402,000 or an average of \$155 per square foot and includes the Target store and the surrounding pad sites. While the assessed value for retail projects, based on standard market rates for retail development, is closer to \$193 per square foot, the fiscal analysis utilizes the more conservative numbers provided by the developers with the assumption that it takes into account any economies of production known to the developers. Actual assessed value will be the final determining factor of property tax. If the developer sells any or all of the retail pad sites to prospective tenants, then the property tax revenues would likely increase as a result of resale appreciation as compared to construction cost based values.

Sales Tax

Sales tax is by far the largest revenue source in the proposed project. Estimates of sales tax revenues are based on a number of underlying assumptions. The three primary considerations were 1) the amount of overall sales generated by the project, 2) the percentage of those sales that are

taxable, and 3) the extent of project-based sales that are “net new” to the City, and not shifted away from existing retailers.

Sales tax revenue is estimated to total \$659,099 for 2008. Sales per square foot for the Target store were projected based on the Target Corporation’s average sales as expressed in their financial statements, or \$300/sq. ft. Sales at the pad sites were based on an average of current sales at retail stores in Davis, or \$225/sq. ft. The weighted-average of taxable sales for the entire project is approximately \$281/sq. ft.. It should be noted that the estimates of potential sales generated by the pad sites are based on current average sales data since specific tenants are not identified in the project proposal.

Sedway’s economic analysis concluded that nearly all of the sales generated from the project would be net new to the City. The baseline analysis presented in this report utilizes a more conservative assumption in that only 75% of sales would be net new. Both assumptions are based on data from the sales tax leakage analysis performed by Sedway. However, while the Sedway report assumes that essentially all project sales would come from “re-capture” of current leakage, the fiscal analysis developed by staff conservatively assumes that retail sales generated by the project would come from both, existing leakage and existing internal sales. The leakage analysis suggests that presently, out of every retail dollar spent by city residents in the categories provided by the project, 25% is spent locally and 75% is “lost” to retailers in other communities.

Other Revenues

Other revenues come from various sources as shown in Table 2. Business License Tax, Prop. 172 Public Safety Sales Tax, Public Safety Tax and Property Tax in Lieu of VLF account for over 82% of these other revenues. Business License Tax is a function of gross receipts. Prop. 172 monies are statewide sales tax dollars that are proportioned based on the counties sales in relation to state sales. Public Safety Tax is charged based on the size of the commercial space and lot size, and Property Tax in Lieu of VLF is based on the project’s assessed valuation.

Expenditures – Project share of Service Costs

Review of Model Inputs / Assumptions

Costs assigned to the project are calculated on a per-DUE basis by taking the current budget for each department and dividing it by the current number of DUE’s in the City. The City of Davis uses a Dwelling Unit Equivalent that is equal to 2.83 persons as the average number of residents in a single family home. This calculation gives us the total existing average cost per DUE for each department. This value however, includes both fixed and variable costs. A multiplier was used to reflect only the variable cost. For this model the variable cost assumption was 75%.

Table 3 presents a summary of the cost estimates generated by the project based on current service/cost standards:

Table 3 – Estimated Annual Expenditures to Support Project

Expenditures	2008	2009	2010	2011	2012
Public Works	\$720	\$754	\$790	\$827	\$865
Planning and Building	\$2,102	\$2,201	\$2,304	\$2,412	\$2,526
Parks and Community Services	\$27,414	\$28,479	\$29,587	\$30,737	\$31,932
Police	\$73,051	\$76,638	\$80,401	\$84,349	\$88,490
Fire	\$44,038	\$46,260	\$48,593	\$51,045	\$53,620
General Government	\$8,547	\$8,868	\$9,202	\$9,549	\$9,908
Sub-Total Expenditures	\$155,872	\$163,201	\$170,877	\$178,918	\$187,341

As shown in Table 3, expenditures using the DUE calculation came to \$155,872 for 2008. This is the expected share of general fund costs for the new development. However, there is not necessarily an increase in the expenditure budgets for these departments as a result of this development. This is only a representation of what the proportionate share of costs assigned to the project would be. It is solely based on a per-capita charge considering current funding levels. *It is not expected that any significant additional costs will be incurred by City departments providing services to this project.*

Dwelling-Unit Equivalent (DUE) Calculation

The City uses an employee-to-DUE conversion to estimate the cost of providing City services to a new commercial development. For this project, the number of expected employees for the Target store was provided by the Developer and estimated for the pad sites. With an expected average employment of 211 the total number of DUE's for the project equaled 75. This value did not take into account the additional costs that might be created by the client-base of the project.

In order to reflect the potential added cost of the client base, City staff created a DUE basis for the expected customer usage. This analysis took the total number of parking spaces divided by the average parking occupancy and multiplied it by the average persons per vehicle. This produced a client "population" of 979 persons or 346 DUE's. Using the same rationale as was used in the sales tax analysis it was assumed that a number of the shoppers would be residents of the City of Davis. Since residents are already assumed in the current City DUE's they would need to be factored out of the client DUE's. Using this reasoning the incremental "population" came out to 128 client DUE's. (see Table 4)

Table 4

Adjusted "RETAIL" DUE Computation

Parking Spaces	680
80% occupancy	544
Persons/Vehicle	1.8
Client "population"	979.20
Persons/DUE	2.83
Client-based DUE's	346.01

Project "Market" Based on CBRE Analysis			
		Total DUE	Net New
Tertiary	10%	35	35
Secondary	27%	93	93
Incremental DUE "population"			128
Employee - Based DUE			75
Total "Adjusted" DUE	8		203

The Client population is not expected to have an effect on all departments. It is assumed that it would only have a marked effect on Public Safety. Therefore the additional DUE's are only used in the calculation of costs for Fire and Police.

Sensitivity Analysis

A sensitivity analysis is conducted to test the amount of variance that could be seen in the model results based on alternative assumptions. Changes to key assumptions in order to show a variety of potential outcomes allow for a more thorough examination of the range of possible fiscal impacts of the project. The two most significant variables in the fiscal analysis are diverted sales and sales per square foot. The baseline fiscal analysis used a conservative assumption of 75% as net new sales and \$300 per square foot of sales for the Target store. It is important to note that Measure "P", the ½ cent sales tax increase, is subject to renewal in 2010. The assumption has been incorporated into this fiscal analysis that this would continue past that date.

Staff used conservative estimates throughout the fiscal analysis. The sensitivity analysis conducted on the primary assumptions shows a range of fiscal outcomes from as low as \$540,000 to \$812,000. Considering that there has already been the use of conservative assumptions, staff expects the range of net fiscal impacts to be more likely around \$600,000 to \$850,000 in net change to the general fund.

Extent of "Net New" Sales

The diverted sales assumption suggests that a portion of existing sales within the City of Davis that are likely to be transferred from existing City businesses to businesses located in the new project. When calculating Sales tax it is important to note the level of sales that are net new to the City. Although the CBRE report indicates that there will be little impact on current sales, City staff again took a more conservative approach. Staff looked at the impact on sales tax revenue if the total net new sales were 90%, 75%, and 60%. Table 5 below shows the net change fiscal impact for each of these different percentages.

Table 5 – Sensitivity to Percentage of Net New Sales

	2008	2009	2010	2011	2012
Net change to the General Fund					
Assumed Net New Sales @ 90%	\$811,795	\$832,743	\$854,176	\$876,104	\$898,533
Assumed Net New Sales @ 75%	\$675,157	\$692,005	\$709,217	\$726,795	\$744,746
Assumed Net New Sales @ 60%	\$538,518	\$551,268	\$564,257	\$577,487	\$590,958

Sales Per Square Foot

The sales per square foot used in the baseline is \$281 and is a weighted average of sales of the Target store and pad sites. Target comprises approximately 75% of the total space. The value of sales per square foot was derived from the Target Corporation's average sales per square foot (\$300) as shown in their financial statements. The average of sales per square foot at existing Davis retail stores was arrived at by averaging the sales at current Davis businesses that are assumed to be similar to what might occupy the pad sites (\$225). In the sensitivity analysis, the sales at the Target

component were calculated at \$250 and \$350 per square foot. This resulted in a net general fund balance of between \$579,565 and \$770,748. (See table 6)

Table 6 – Sensitivity to Total Sales per Square Foot

	2008	2009	2010	2011	2012
Effect of higher or lower sales on net change to General Fund Balance					
Target Sales/Sq Ft \$250, NNS 75%	\$579,565	\$593,546	\$607,804	\$622,340	\$637,156
Target Sales/Sq Ft \$300, NNS 75%	\$675,157	\$692,005	\$709,217	\$726,795	\$744,746
Target Sales/Sq Ft \$350, NNS 75%	\$770,748	\$790,464	\$810,630	\$831,251	\$852,335

Duration of Measure P

Table 7 below shows the amount of sales tax that is generated from the standard sales tax and the Measure “P” sales tax. Measure “P” sunsets in 2010 and those funds would no longer be available if the measure were not extended.

Table 7 – Impact of Measure P on Overall Sales Tax Revenues

	2008	2009	2010	2011	2012
Value of standard sales tax and amount from Measure P (Due to sunset in 2010)					
Sales Tax w/o Meas. P (NNS 75%, TS \$300/sf)	\$439,399	\$452,581	\$466,159	\$480,143	\$494,548
Measure P Sales Tax (NNS 75%, TS \$300/sf)	\$219,700	\$226,291	\$233,079	\$240,072	\$247,274
Total Sales Tax	\$659,099	\$678,872	\$699,238	\$720,215	\$741,821

Infrastructure Analysis

Contributions to Citywide and Project Specific Impacts

A major contributor to the funding of City infrastructure is the City's Development Impact Fee assessment. Citywide impact fees for this project are expected to follow the current impact fee model. There is a condition in the model that any projects that are outside of the scope of the General Plan may result in a project specific analysis. City staff has looked at this issue and determined that while the project itself is not currently contemplated in the General Plan, the model is sufficient to work with such a project. This project will require an amendment to the General Plan which will also result in a modification to the underlying inputs of the Development Impact Fee Model. This change will not result in a significant shift of fees and is therefore not considered to require an extensive project specific fee analysis. Under the current impact fee structure this project would generate approximately \$3 million in impact fees.

Another potential source of funding for City infrastructure is the Construction Tax. Construction Tax is levied on all new development and is currently \$2.58 per square foot. Development impact fees are specifically allocated based on the category of facility for which they have been collected but construction tax monies are discretionary and can be used where they are most needed. This project would be responsible for nearly \$472,000 in construction tax. The combination of impact fees and Construction Tax would result in approximately \$3.5 million in infrastructure funding.

It is important to note that the City is in the process of examining the Development Impact Fee Model at this time. The Impact fee model is updated annually in the winter with adjusted fees going into effect in February. It is possible that fees could be different at the time a building permit is issued on this project.

Major development projects may have a developer agreement attached to them. A developer agreement is a covenant between the City and the developer that addresses specific mitigations to be satisfied. This topic is ongoing and is still in its early stages. As the project moves forward there will be a more in depth look at this subject and its relation to fiscal impacts. However, at minimum, it is anticipated that the development agreement would include means to fully mitigate cost of the traffic and roadway impacts deemed significant in the Environmental Report, as these represent impacts above and beyond those already assumed at General Plan build out and therefore outside the scope of impacts for which Development Impact Fees are established as mitigations.

Other Considerations

The fiscal analysis is intended to inform the discussion on the Second Street Crossing project. Its objective is to provide insight into the expected fiscal effects of the project on the City budget. It is meant to be an objective look at the underlying financial impact and not meant to provide an answer as to whether the project is good or bad. There are several issues that are outside the scope of this report. It is merely one factor among many that will allow the public and City Council to review the overall merits of the project.

There are several issues that are outside the scope of the fiscal analysis presented herein. Examples include: a) the impact of the project on housing values in the neighborhoods surrounding the project area, b) the impact of the project on individual existing business, c) the impact of additional retail development on prices for commodities expected to be provided by stores proposed in the project (ie. increased competition), and d) the impact of the project on jobs, either in terms of net new job creation, or the quality (pay and benefits) of jobs anticipated to be provided.

Alternative Scenarios - Existing Zoning Potential

The Second Street Crossing Project requires a change in current zoning. The current zoning is approximately 46% Service Commercial and 54% Light Industrial/Business Park. In order to assess the actual impact on the City it is useful to evaluate other hypothetical development projects that are within the current zoning of the proposed project site. The other projects represent the forgone opportunity costs when changing the zoning.

There are two sample projects that were developed by the City of Davis Community Development Department. Each represents a possible development scenario that could potentially go on the site. They are both consistent with current zoning but are not representative of any current project in front of the City at this time. One scenario represents a moderate intensity floor area ratio (FAR) project and the other a higher intensity FAR project with a less aggressive retail component.

Both Scenarios include a Gym/Health Club, Service station, and Office Buildings with total building square footages of 28,750, 8,168, and 104,740 respectively. The moderate intensity FAR scenario places Auto Related retail development on the remaining lots while the higher intensity FAR scenario places restaurant and hotel businesses there.

Moderate Intensity

Auto dealerships are historically the largest contributors to sales tax revenue in the City of Davis. Their per square foot sales are among the highest in any retail category. This scenario indicates an additional 52,000 square feet of auto retail. New auto sales generate approximately \$700/sq. ft. in sales. Auto related sales in the City of Davis are one of the only categories that represent a net "attraction" of sales. This means that there are more sales than would be expected to be generated by residents of the City. For the purposes of this analysis, City staff assumed that the new auto dealerships would be ones not currently represented and would therefore not significantly cannibalize current auto sales. The assumption is that there would be demand that would be above what is currently available in the City and that the attraction numbers would remain positive.

Table 8

Revenues	2008	2009	2010	2011	2012
Property Taxes	\$71,750	\$73,185	\$74,649	\$76,142	\$77,665
Sales and Use Taxes	\$585,841	\$603,416	\$621,519	\$640,164	\$659,369
Prop. 172 Public Safety Sales Tax	\$21,415	\$22,058	\$22,720	\$23,401	\$24,103
Municipal Service Tax	\$17,581	\$18,109	\$18,652	\$19,212	\$19,788
Parks Maintenance Tax	\$1,527	\$1,527	\$1,527	\$1,527	\$1,527
Public Safety Tax	\$21,502	\$22,147	\$22,812	\$23,496	\$24,201
Transient Occupancy Tax	\$0	\$0	\$0	\$0	\$0
Business License Tax	\$14,613	\$15,051	\$15,503	\$15,968	\$16,447
Franchise Fees	\$3,527	\$3,633	\$3,742	\$3,854	\$3,970
Property Tax In-Lieu of Vehicle License Fees	\$25,938	\$26,456	\$26,986	\$27,525	\$28,076
Fines and Forfeitures	\$262	\$270	\$278	\$286	\$295
Sub-Total Revenues	\$763,957	\$785,853	\$808,386	\$831,575	\$855,440

Expenses in each of the alternate scenarios are based on the employee DUE per capita formula. There is no adjustment for client based DUE's.

Table 9

Expenditures	2008	2009	2010	2011	2012
Public Works	\$1,930	\$2,021	\$2,116	\$2,215	\$2,319
Planning and Building	\$5,634	\$5,898	\$6,175	\$6,465	\$6,768
Parks and Community Services	\$73,469	\$76,325	\$79,292	\$82,375	\$85,577
Police	\$72,331	\$75,883	\$79,609	\$83,518	\$87,618
Fire	\$43,608	\$45,807	\$48,118	\$50,545	\$53,095
General Government	\$22,905	\$23,767	\$24,662	\$25,590	\$26,553
Sub-Total Expenditures	\$219,877	\$229,702	\$239,972	\$250,708	\$261,932

The net fiscal impact for this scenario is forecast to be \$544,080 in 2008 rising to \$606,335 in 2012.

High Intensity

The second scenario includes a 124 room hotel and full service restaurant in place of the auto dealerships included in the scenario one. Hotels provide very little sales tax revenue but do provide revenue in the form of Transient Occupancy Tax. Restaurants provide some sales tax but much less than traditional retail. This scenario provides much less revenue to the General Fund but is consistent with the zoning of the project area.

Table 10

Revenues	2008	2009	2010	2011	2012
Property Taxes	\$91,141	\$92,964	\$94,823	\$96,720	\$98,654
Sales and Use Taxes	\$73,353	\$75,554	\$77,821	\$80,155	\$82,560
Prop. 172 Public Safety Sales Tax	\$2,681	\$2,762	\$2,845	\$2,930	\$3,018
Municipal ServiceTax	\$22,050	\$22,712	\$23,393	\$24,095	\$24,818
Parks Maintenance Tax	\$1,927	\$1,927	\$1,927	\$1,927	\$1,927
Public Safety Tax	\$26,930	\$27,737	\$28,570	\$29,427	\$30,309
Transient Occupancy Tax	\$9,167	\$9,442	\$9,726	\$10,017	\$10,318
Business License Tax	\$10,794	\$11,118	\$11,451	\$11,795	\$12,149
Franchise Fees	\$4,422	\$4,555	\$4,692	\$4,832	\$4,977
Property Tax In-Lieu of Vehicle License Fees	\$32,948	\$33,606	\$34,279	\$34,964	\$35,663
Fines and Forfeitures	\$329	\$338	\$349	\$359	\$370
Sub-Total Revenues	\$275,742	\$282,716	\$289,874	\$297,221	\$304,763

The expenses for this scenario are calculated in the same manner as the previous one. The DUE values are consistent with the figures used the City's Impact Fee model.

Table 11

Expenditures	2008	2009	2010	2011	2012
Public Works	\$2,420	\$2,534	\$2,653	\$2,777	\$2,908
Planning and Building	\$7,063	\$7,395	\$7,742	\$8,105	\$8,486
Parks and Community Services	\$92,110	\$95,691	\$99,411	\$103,276	\$107,291
Police	\$90,684	\$95,137	\$99,808	\$104,709	\$109,850
Fire	\$54,574	\$57,327	\$60,218	\$63,256	\$66,447
General Government	\$28,717	\$29,798	\$30,919	\$32,083	\$33,291
Sub-Total Expenditures	\$275,568	\$287,881	\$300,751	\$314,206	\$328,272

Expenses for this project are calculated to increase more rapidly than revenues. For this reason the net change to the General Fund balance is a positive \$174 in 2008 but becomes negative in 2009 and is -\$23,509 in 2012.

Conclusion:

The Second Street Crossing project is expected to generate a positive net fiscal benefit to the City, even with the generally conservative assumptions employed in this analysis. The net positive fiscal impact is estimated to be approximately \$675,000 in 2008, the first year of full operation. The range of likely net fiscal benefits is estimated to be between \$600,000 and \$850,000 per year.

The net fiscal benefit represents the difference between projected project revenues and estimates of the project's "fair share" of City service costs. As such, the incremental benefit - which more accurately reflect the budgetary impacts of the proposed project - is better represented by the net new revenues for the project, estimated to be \$831,000 in 2008, with a likely range of \$750,000 to \$1,000,000.

City staff maintained a conservative approach to assigning assumptions in this model. There is the potential for a significantly more positive fiscal impact to the City. Diverted sales were calculated at 75% which is much lower than was assumed in the EIR.

The proposed project is expected to contribute approximately \$3 million in development impact fees, representing the project's share of infrastructure project costs needed to support current General Plan build-out. In addition, the EIR identifies specific impacts that result from this project that are above-and-beyond those assumed at General Plan build-out. These impacts are limited to traffic and roadway impacts for which mitigation measures are proposed. This analysis assumes that the project will contribute additional resources toward mitigating those impacts, most likely through elements of a development agreement.

The project will also contribute approximately \$472,000 in Construction Tax revenues representing one-time discretionary funds available to the City to meet other capital and/or operational needs.

The fiscal analysis also shows the potential fiscal impacts of two hypothetical alternative projects, and one of which (medium-intensity) is revenue positive and one the other (high-intensity) is fiscally "neutral."

The purpose of this report is to inform the public and City Council as to the potential fiscal effects on the City. This is not the only consideration to be taken into account when evaluating the merits of a particular development.

Timeline for Public Review

On May 6, 2005 the Target Corporation filed an official land use entitlement application with the City of Davis. This application followed the pre-application process that Target undertook with the community in 2004. The review process for this application was expected to take from ten to twelve months and will include preparation of an Environmental Impact Report (EIR). Opportunities for public comment, as well as comments on the EIR, are part of this review process. The draft EIR was completed on February 13, 2006 and a public hearing was conducted on March 8. All written comments regarding the EIR were due to the City of Davis by March 30.

City staff met with the Finance and Budget Commission on several occasions to discuss the fiscal analysis and the Draft EIR. On February 27 the FBC and Business and Economic Development Commission (BEDC) held a joint meeting to discuss the draft EIR.

Staff will again meet with the FBC on May 8 to discuss the final Fiscal Analysis prior to this report being formally presented to the Planning Commission and the City Council.

Public Review Timeline		
2005		
May	5	Target Corp. files official application
2006		
Feb.	13	Draft EIR (DEIR) Completed
	13	FBC meeting to discuss Target Proposal
	27	Joint meeting with FBC and BEDC
March	8	Public hearing on draft EIR
	13	FBC meeting, continued discussion of Target Proposal
	30	Final public comments on DEIR due to City
April	3	FBC meeting, continued discussion of Target Proposal
May	8	FBC review of Fiscal Analysis report
May	24	Planning Commission review of project
June	TBD	City Council consideration of project

Exhibit A: Key Fiscal Impact Analysis Assumptions

Inflation

General Rate of Revenue Inflation:	3.0% per year
Inflation for Personnel Costs:	5.4% per year (a)
Inflation for Non-Personnel Costs:	3.0% per year

Population and Employment Densities

Non-Residential

Office	300 square feet per employee
Hotel	300 square feet per employee
Auto Retail	300 square feet per employee
Retail (Target)	300 square feet per employee
Restaurant	500 square feet per employee
Hospice Facility (Tax Exempt)	500 square feet per employee
Senior Care Facility	750 square feet per employee
Daycare (Property Tax Exempt)	750 square feet per employee
Athletic Club	750 square feet per employee
Church (Property Tax Exempt)	1000 square feet per employee
Service Station	1000 square feet per employee
Rec. Building	1000 square feet per employee
Meeting Hall	1000 N/A

Variable vs. Fixed Costs for Service Expansion

Department or Function	Percent of General Fund Costs Variable
Department of Public Works Administration	75%
Department of Public Works Support Services	75%
Police Department	75%
Fire Department	75%
Community Development Department Overall	75%
Parks and Community Services Administration	75%
General Government Functions Overall	75%

Property Tax Assessment

Assumed Taxed at Full Market Value of \$154/sf

Measure P 0.5 cent local sales tax increase

Assumes this revenue source will be extended beyond scheduled 2010 sunset.

Parks Maintenance Tax

Assumes this revenue source will be extended beyond the scheduled 2006 sunset.

Note:

(a) Average reflects a blend of 6.26% annual cost increase for five years and 5.0% cost increase for following 10 years.

Sources: City of Davis Finance Department, Bay Area Economics, 2005.

Table 1: Second Street Crossing Development Program

	Units	Parks and Open Space	Acres
Phased Ownership			
Townhouse 2,800 SF and Below	0	Park	0
Zero Lot Line 3,200 SF and Below	0	Mini-Park/Green Space/Village Greens	0
Split -Lot 3,500 SF and Below	0	Greenbelts	0
3,900 SF and Below Lots	0	Linear Green	0
4,000 to 4,900 SF Lots	0	Habitat	0
5,000 to 5,900 SF Lots	0		
6,000 to 6,900 SF Lots	0	Streets	Linear Ft.
7,000 to 7,900 SF Lots	0	Two-Lane Arterial	0
8,000 to 8,900 SF Lots	0	East Picasso Street	0
		East Main Street	0
		West Main Street	0
		Far West Main Street	0
Senior Ownership		Covell Couplet	0
Senior Middle-Income Condo	0	Poleline Road	0
3,900 SF and Below Lots	0	Collector Street	0
4,000 to 4,500 SF Lots	0	Resid. Street (Connector to Collector)	0
4,600 to 4,900 SF Lots	0	Residential Lane	0
5,000 to 5,900 SF Lots	0	Residential Park Side Street	0
		Residential Linear Green Side Street	0
Unphased Ownership		Linear Green Frontage / Live-Work Street	0
Low-Mod (Six-Plex)	0	Residential Half-Circle (One Way)	0
Low-Mod (Co-Operative)	0	Residential Connector Lanes	0
Low-Mod (Townhouses)	0	Alley Commons	0
		Poleline Road Traffic Calming	0
Phased Multifamily		Collector Street Traffic Calming	0
Apartments	0	Residential Street Traffic Calming	0
		Residential Lane - Modified	0
Other Unphased Residential		Residential Lane Side Street	0
Co-Housing	0	Total Publicly Maintained Streets	0
Land Dedication (Apts.)	0		
Land Dedication (Apts.)	0		
Work-Live	0		
Low Income MF (YCCC) & Other	0		
Other Low Income MF(For-Profit Owners)	0		
Village Apartments	0		
SUB-TOTAL RESIDENTIAL UNITS	0		

	Second St Crossing Square Feet	Buildout Scenario A Square Feet	Buildout Scenario B Square Feet
Non-Residential			
Office	0	104,740	104,740
Hotel	0	85,464	0
Auto Retail	0	0	52,011
Retail (Target)	183,000	0	0
Restaurant	0	15,551	0
Hospice Facility (Tax Exempt)	0	0	0
Senior Core Facility	0	0	0
Daycare (Property Tax Exempt)	0	0	0
Athletic Club	0	28,750	28,750
Church (Property Tax Exempt)	0	0	0
Service Station	0	8,168	8,168
Rec. Building	0	0	0
Meeting Hall	0	0	0
Sub-Total Non-Residential Square Feet	183,000	242,673	193,669

Notes:

Table 3: Estimated Dwelling Unit Equivalents

	Population Density	Estimated Population	DUE Factors (a)	Estimated DUES	Cumulative Absorption (Year)				
					1	2	3	4	5
Non-Residential	0		Employees						
Office	300 square feet per employee	0	1.1779 per 1,000 square feet	-	0	0	0	0	0
Hotel	300 square feet per employee	0	1.1779 per 1,000 square feet	-	0	0	0	0	0
Auto Retail	300 square feet per employee	0	1.1779 per 1,000 square feet	-	0	0	0	0	0
Retail (Target)	505 sq ft per emp & client pop	362	0.6997 per 1,000 square feet	128	128	128	128	128	128
Restaurant	866 sq ft per emp & client pop	211	0.4080 per 1,000 square feet	75	75	75	75	75	75
Restaurant	500 square feet per employee	0	0.7067 per 1,000 square feet	-	0	0	0	0	0
Hospice Facility (Tax Exempt)	500 square feet per employee	0	0.7067 per 1,000 square feet	-	0	0	0	0	0
Senior Core Facility	750 square feet per employee	0	0.4711 per 1,000 square feet	-	0	0	0	0	0
Daycare (Property Tax Exempt)	750 square feet per employee	0	0.4711 per 1,000 square feet	-	0	0	0	0	0
Athletic Club	750 square feet per employee	0	0.4711 per 1,000 square feet	-	0	0	0	0	0
Church (Property Tax Exempt)	1000 square feet per employee	0	0.3534 per 1,000 square feet	-	0	0	0	0	0
Service Station	1000 square feet per employee	0	0.3534 per 1,000 square feet	-	0	0	0	0	0
Rec. Building	1000 square feet per employee	0	0.3534 per 1,000 square feet	-	0	0	0	0	0
Meeting Hall	1000 square feet per employee	0	0.3534 per 1,000 square feet	-	0	0	0	0	0
Sub-Total Non-Residential		574		203	203	203	203	203	203
Total DUES				203	-	203	203	203	203

Table 4: Assessed Valuation (2006 \$)

**Estimated Valuation
Market Rate Units**

Non-Residential

Office	\$200 /s.f.		
Hotel	\$200	CBRE est. =	28.1 million
Auto Retail	\$200		155.2 per s.f.
Retail (Target)	\$193	Target	146 per s.f.
Restaurant	\$250	Other Pads	175 per s.f.
Hospice Facility (Tax Exempt)	\$0	Weighted ave	153.28
Senior Care Facility	\$0	Generic avg.	200 per s.f.
Daycare (Property Tax Exempt)	\$0		
Athletic Club	\$200	Check that this includes land value as well as Bldg.	
Church (Property Tax Exempt)	\$0		
Service Station	\$250		
Rec. Building	\$0		
Meeting Hall	\$0		

Note

(a) Estimated valuation of affordable middle-income for-sale units assumes units are assessed at full market value, per Affordable Housing Foundation proposal. Low-Mod. For-sale affordable units are assessed at restricted sale price.

(b) Assumes units would be owned by for-profit developer. Actual assessment may be reduced due to restricted rents.

Table 5: Property Tax Revenues

	Cumulative Absorption (Year)							
	2005\$	2006	2007	2008	2009	2010	2011	2012
Non-Residential								
Retail (Target)								
Absorbed Year 1	\$28,401,600	\$29,253,648	\$30,131,257	\$30,733,883	\$31,348,560	\$31,975,531	\$32,615,042	\$33,267,343
Absorbed Year 2		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Absorbed Year 3			\$0	\$0	\$0	\$0	\$0	\$0
Absorbed Year 4				\$0	\$0	\$0	\$0	\$0
Absorbed Year 5					\$0	\$0	\$0	\$0
Absorbed Year 6						\$0	\$0	\$0
Absorbed Year 7							\$0	\$0
Absorbed Year 8								\$0
Absorbed Year 9								\$0
Absorbed Year 10								\$0
Sub-Total Non-Residential	\$28,401,600	\$29,253,648	\$30,131,257	\$30,733,883	\$31,348,560	\$31,975,531	\$32,615,042	\$33,267,343
Total Secured Valuation	\$28,401,600	\$29,253,648	\$30,131,257	\$30,733,883	\$31,348,560	\$31,975,531	\$32,615,042	\$33,267,343
Unsecured Property Tax Valuation (e)	\$627,557	\$646,384	\$665,775	\$679,091	\$692,673	\$706,526	\$720,657	\$735,070
Total Assessed Valuation	\$29,029,157	\$29,900,032	\$30,797,033	\$31,412,973	\$32,041,233	\$32,682,058	\$33,335,699	\$34,002,413
Basic Property Taxes Paid	\$290,292	\$299,000	\$307,970	\$314,130	\$320,412	\$326,821	\$333,357	\$340,024
Basic Property Taxes Allocated to City (f)	\$49,059	\$50,531	\$52,047	\$53,088	\$54,150	\$55,233	\$56,337	\$57,464

Note:

- (a) See Appendix A for property tax re-allocation assumptions.
- (b) Estimated average annual real estate appreciation rate (initial sales and for periodic turnover of property)

	Study Years		
	1-5	6-10	11-15
Affordable for-sale units	0.0%	0.0%	0.0%
Residential for-sale units	0.0%	0.0%	0.0%
Multifamily rental units	0.0%	0.0%	0.0%
Non-residential properties	0.0%	0.0%	0.0%
(c) Prop. 13 maximum annual assessment increase when property held in same ownership.	2.0%	2.0%	2.0%
(d) Assumed average number of years between sales.			
Residential for-sale units	1E+88		
Senior for-sale units	1E+88		
Multifamily for-sale units	1E+88		
Multifamily rental units	1E+88		
Non-residential properties	1E+88		
- (e) Estimate is based on City of Davis' current ratio of unsecured property tax revenue to secured property tax revenue. ([update this link](#))
- (f) Estimate based on existing City of Davis/Yolo County property tax sharing agreement. Subject to negotiation and final determination.

Table 6: Property Transfer Tax

	Cumulative Absorption (Year)							
	2005\$	2006	2007	2008	2009	2010	2011	2012
Non-Residential								
Value of Initial Sales (assumes no initial property turnover)								
Total Valuation In Place	\$28,401,600	\$29,253,648	\$30,131,257	\$30,733,883	\$31,348,560	\$31,975,531	\$32,615,042	\$33,267,343
Value of Resales (Assuming no sales)		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Valuation Subject to Transfer Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property Transfer Tax Allocated to City	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Note:

- (a) Property transfer tax rate is \$1.10 per \$1,000 in value. The City of Davis receives half and Yolo County receives the other half.
(b) Proportion of existing units assumed sold annually:

Single-family for-sale	0.0%
Senior for-sale	0.0%
Other for-sale	0.0%
Multifamily Rental	0.0%
Non-residential	0.0%

Table 7: Sales and Use Tax

PER CAPITA DEMAND-BASED REVENUES

	Estimated Persons Per Household	Estimated Expenditures Per Household	Cumulative Expenditures (Year)							
			2005\$	2006	2007	2008	2009	2010	2011	2012
INCREMENTAL SALES TAX RELATED TO EXPANSION OF CITYWIDE RETAIL BASE										
Quantity of Proposed Retail Assumed as Community-Serving Retail (a)			183,000	183,000	183,000	183,000	183,000	183,000	183,000	183,000
Gross Potential Community Retail Sales (b)			\$51,468,750	\$53,012,813	\$54,603,197	\$56,241,293	\$57,928,532	\$59,666,388	\$61,456,379	\$63,300,071
Portion of Community Retail Sales Attributed as Additional Revenue Beyond Per-Capita Expenditures, Above (c)			\$38,601,563	\$39,759,609	\$40,952,398	\$42,180,970	\$43,446,399	\$44,749,791	\$46,092,284	\$47,475,053
Total Net Increase in Local Taxable Retail Expenditures			\$38,601,563	\$39,759,609	\$40,952,398	\$42,180,970	\$43,446,399	\$44,749,791	\$46,092,284	\$47,475,053
Local Sales Tax Revenues (d)			\$579,023	\$596,394	\$614,286	\$632,715	\$651,696	\$671,247	\$691,384	\$712,126
Pooled County and State Sales Tax Revenues (e)			\$24,145	\$24,870	\$25,616	\$26,384	\$27,176	\$27,991	\$28,831	\$29,696
Total Sales and Use Tax			\$603,169	\$621,264	\$639,902	\$659,099	\$678,872	\$699,238	\$720,215	\$741,821
Public Safety Sales Tax (f)			\$22,049	\$22,710	\$23,392	\$24,093	\$24,816	\$25,561	\$26,327	\$27,117

Notes:

(a) Sales tax revenue assumptions: 1.5%

2003 Population 63,843

2003 Taxable Sales \$447,981,000

2003 Per Capita Taxable Sales \$7,017

2003 to 2004 Inflation Factor 1.03 <http://www.bls.gov/bls/inflation.htm>

Estimated 2004 Local Per Capita Taxable Sales \$7,255

Assumed average rate of increase for per capita sales 3.0%

(a) Per City Council direction 100% 58,855,533 882833 321.61

(b) Assumed \$ in sales per square foot of retail space*

Target	75%	\$ 300	60,600,000	909000	331.15
Other retail	25%	\$ 225			
Weighted Average		\$ 281			

(c) Assumed portion not already counted current sales tax 75% City average 209.00

(d) With passage of Measure P, local allocation of sales taxes is 1.5% of taxable sales; assumes Measure P is extended through analysis period. Actual sales tax revenues may be less than 1.5% due to local sales of autos to people residing c

(e) Current City of Davis pooled sales tax revenues are 4.17% of local sales tax revenues. (UCD fiscal).

(f) Public Safety Sales Tax as Pct. Of Sales Tax 3.7%

Table 8: Municipal Services Tax

Non-Residential	Average Average Lot Size (Sq. Ft.)	Base Tax	Lot Size Charge	Average Revenue Per Sq. Ft.	Total Revenue	2005\$	2006	2007	2008	2009	2010	2011	2012
Office	-	\$0.00	\$0.00		\$0.00								
Hotel	-	\$0.00	\$0.00		\$0.00								
Auto Retail	-	\$0.00	\$0.00		\$0.00								
Retail (Target)	732,000	\$14,883.39	\$333.79	\$0.08	\$15,217.18	\$15,217	\$15,674	\$16,144	\$16,628	\$17,127	\$17,641	\$18,170	\$18,715
Restaurant	-	\$0.00	\$0.00		\$0.00								
Hospice Facility (Tax Exempt)	-	\$0.00	\$0.00		\$0.00								
Senior Core Facility	-	\$0.00	\$0.00		\$0.00								
Daycare (Property Tax Exempt)	-	\$0.00	\$0.00		\$0.00								
Athletic Club	-	\$0.00	\$0.00		\$0.00								
Church (Property Tax Exempt)	-	\$0.00	\$0.00		\$0.00								
Service Station	-	\$0.00	\$0.00		\$0.00								
Rec. Building	-	\$0.00	\$0.00		\$0.00								
Meeting Hall	-	\$0.00	\$0.00		\$0.00								
SUB-TOTAL NON-RESIDENTIAL SQUARE FEET		\$14,883	\$334		\$15,217	\$15,217	\$15,674	\$16,144	\$16,628	\$17,127	\$17,641	\$18,170	\$18,715
TOTAL MUNICIPAL SERVICES TAX						\$15,217	\$15,674	\$16,144	\$16,628	\$17,127	\$17,641	\$18,170	\$18,715

Table 9: Parks Maintenance Tax

	Annual Revenues (Year)							
	2005\$	2006	2007	2008	2009	2010	2011	2012
Non-Residential								
Office	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Hotel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Auto Retail	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retail (Target)	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040
Restaurant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Hospice Facility (Tax Exempt)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Senior Core Facility	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Daycare (Property Tax Exempt)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Athletic Club	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Church (Property Tax Exempt)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Service Station	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rec. Building	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Meeting Hall	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SUB-TOTAL NONRESIDENTIAL SQ. FT.	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040
Total	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040

Notes:

Maintenance Tax Per Residential Unit \$49

Maintenance Tax Per 1,000 Sq. Ft. Commercial (Max of 10,000) \$40

Table 10: Public Safety Tax

	Average	Base	Lot	Average	Cumulative Absorption (Year)								
	Lot Size			Revenue	Total	2005\$	2006	2007	2008	2009	2010	2011	2012
	(Sq. Ft.)	Tax	Size Charge	Per Unit	Revenue								
Non-Residential				<u>Revenue/Sq. Ft.</u>									
Office	-	\$0.00	\$0.00		\$0.00								
Hotel	-	\$0.00	\$0.00		\$0.00								
Auto Retail	-	\$0.00	\$0.00		\$0.00								
Retail (Target)	732,000	\$18,321.23	\$272.30	\$0.10	\$18,593.53	\$18,594	\$19,151	\$19,726	\$20,318	\$20,927	\$21,555	\$22,202	\$22,868
Restaurant	-	\$0.00	\$0.00		\$0.00								
Hospice Facility (Tax Exempt)	-	\$0.00	\$0.00		\$0.00								
Senior Core Facility	-	\$0.00	\$0.00		\$0.00								
Daycare (Property Tax Exempt)	-	\$0.00	\$0.00		\$0.00								
Athletic Club	-	\$0.00	\$0.00		\$0.00								
Church (Property Tax Exempt)	-	\$0.00	\$0.00		\$0.00								
Service Station	-	\$0.00	\$0.00		\$0.00								
Rec. Building	-	\$0.00	\$0.00		\$0.00								
Meeting Hall	-	\$0.00	\$0.00		\$0.00								
SUB-TOTAL NON-RESIDENTIAL SQUARE FEET		\$18,321	\$272	#DIV/0!	\$18,594	\$18,594	\$19,151	\$19,726	\$20,318	\$20,927	\$21,555	\$22,202	\$22,868
TOTAL						\$18,594	\$19,151	\$19,726	\$20,318	\$20,927	\$21,555	\$22,202	\$22,868

Table 11: Other Revenues

					Estimated Project Revenues	Cumulative Absorption (Year)								
						2005\$	2006	2007	2008	2009	2010	2011	2012	
Transient Occupancy Tax														
Transient Occupancy Tax Revenues 04/05	\$932,860													
Existing Resident Population	64,472													
Residents Per DUE (a)	2.83													
Residential DUEs in Davis	22,782													
Existing City Employment (2003)	14,827													
Employees Per DUE (b)	2.83													
Employee DUEs in Davis	5,239													
Total DUEs in Davis	28,021													
Average Revenue Per DUE	\$ 33.29				\$0 (a)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Business License Tax														
	Gross Receipts	Tax Rate Per	Avg. Revenue											
	Per Sq. Ft.	\$10,000 Gross	Per Sq. Ft.											
Office	\$300	\$ 6.00			\$0									
Hotel	\$0	\$ 9.00			\$0									
Auto Retail	\$825	\$3.00		\$ -										
Retail (Target)	\$225	\$6.00	\$ 281.25	\$ 51,468,750.00	\$30,881	\$31,808	\$32,762	\$33,745	\$34,757	\$35,800	\$36,874	\$37,980		
Restaurant	\$75	\$6.00		\$ -										
Hospice Facility (Tax Exempt)	\$200	\$ 9.00		\$0										
Senior Core Facility	\$40	\$ 9.00		\$0										
Daycare (Property Tax Exempt)	\$0	\$0.00		\$0										
Athletic Club	\$0	\$0.00		\$0										
Church (Property Tax Exempt)	\$50	\$6.00		\$0										
Service Station	\$0	\$0.00		\$0										
Rec. Building	n.avail.	\$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Hall	n.avail.	\$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total					\$30,881	\$31,808	\$32,762	\$33,745	\$34,757	\$35,800	\$36,874	\$37,980		
Franchise Fees														
General Franchise Fee Revenues	\$450,000													
Residential DUEs in Davis	22,782													
Employee DUEs in Davis	5,239													
Total DUEs in Davis	28,021													
Average Revenue Per DUE	\$ 16.06				\$3,260	\$3,260	\$3,358	\$3,459	\$3,562	\$3,669	\$3,779	\$3,893	\$4,009	
Motor Vehicle License Fees														
Motor Vehicle License Fee Revenues (c)	\$313,112													
Davis Resident Population	64,472													
0.65% VLF revenues	\$ 4.86	per resident			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property Tax In-Lieu of VLF														
	\$ 3,435,098													
Gross Citywide AV 2/05	\$ 5,622,692,429													
Project AV					\$29,029,157	\$29,900,032	\$30,797,033	\$31,412,973	\$32,041,233	\$32,682,058	\$33,335,699	\$34,002,413		
Percent Increase In Project AV from Year 1						103%	106%	108%	110%	113%	115%	117%		
ILVLF					\$17,735	\$18,267	\$18,815	\$19,191	\$19,575	\$19,967	\$20,366	\$20,773		
Fines and Forfeitures														
General Fund Revenue	33430													
Residential DUEs in Davis	22,782													
Employee DUEs in Davis	5,239													
Total DUEs in Davis	28,021													
Average Revenue Per DUE	\$ 1.19				\$242	\$242	\$249	\$257	\$265	\$273	\$281	\$289	\$298	

Table 12: Public Works Department Expenditures

	05/06 Budget	Cumulative Absorption (Year)							
		2005\$	2006	2007	2008	2009	2010	2011	2012
Net General Fund Expenditures	\$312,691								
Total DUEs in Davis	28,021								
Average Cost Per DUE	\$11.16								
Assumed Percent of GF Expenditures Variable	75%								
Variable Costs Per DUE	\$8.37								
Total Project DUEs		75	75	75	75	75	75	75	75
Total Community Development Department General Fund Expenditures		\$628	\$657	\$688	\$720	\$754	\$790	\$827	\$865

Note:		Pct. Of Dept.
(a) Assumed average annual increase in CD non-personnel costs	3.0%	30.0%
Assumed average annual increase in CD personnel costs	5.4%	70.0%
Assumed overall average annual increase in CD costs	4.7%	

Table 13: Community Development Department Expenditures

	05/06 Budget	Cumulative Absorption (Year)							
		2005\$	2006	2007	2008	2009	2010	2011	2012
Net General Fund Expenditures	\$912,504								
Total DUEs in Davis	28,021								
Average Cost Per DUE	\$32.57								
Assumed Percent of GF Expenditures Variable	75%								
Variable Costs Per DUE	\$24.42								
Total Project DUEs		75	75	75	75	75	75	75	75
Total Community Development Department General Fund Expenditures		\$1,832	\$1,918	\$2,008	\$2,102	\$2,201	\$2,304	\$2,412	\$2,526

Note:		Pct. Of Dept.
(a) Assumed average annual increase in CD non-personnel costs	3.0%	30.0%
Assumed average annual increase in CD personnel costs	5.4%	70.0%
Assumed overall average annual increase in CD costs	4.7%	

Table 14: Parks and Community Services Expenditures (Need updated tree maintenance costs)

Park and Open Space Maintenance	05/06 Costs	Cumulative Absorption (Year)							
		2005\$	2006	2007	2008	2009	2010	2011	2012
Park	\$7,500 /ac.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mini-Park	\$7,500 /ac.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Greenbelts	\$5,500 /ac.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Linear Green	\$5,500 /ac.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Habitat	\$2,500 /ac.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Projected Tree Maintenance Costs (See Appendix B)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sub-total Park and Open Space Maintenance		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Per DUE PCS General Fund Costs									
Neighborhood and Community Services	\$712,615								
Social Services	\$321,113								
Parks and Open Space	\$5,011,353								
Public Facilities Maintenance	\$1,453,815								
City Administrative Facilities Maintenance	\$0								
Recreation	\$1,141,127								
General Services	\$0								
Community Development Block Grant Program	\$0								
Sub-total Per DUE PCS Costs	\$8,640,023								
Current City Resident DUEs	22,782								
Current City Employment DUEs	5,239								
Employment DUE Reduction Factor	1.00								
Adjusted Citywide EmploymentDUEs	5,239								
Total Adjusted Citywide DUEs	28,021								
Estimated General Fund Per Adjusted DUE costs	\$ 308.34								
Project Residential DUEs	-	-	-	-	-	-	-	-	-
Project Employment DUEs	75	75	75	75	75	75	75	75	75
Employment DUE Reduction Factor	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Adjusted Project Employment DUEs	75	75	75	75	75	75	75	75	75
Total Adjusted Project DUEs	75	75	75	75	75	75	75	75	75
Projected PCS Per DUE Costs		\$23,126	\$24,025	\$24,959	\$25,929	\$26,937	\$27,984	\$29,072	\$30,203
PCS Overhead Costs									
Total PCS General Fund Support	\$7,933,498								
Executive Management GF Support	\$605,675								
Executive Management GF Support as % of Dept. GF Support	7.6%								
Assumed Percentage of Variable Costs	75%								
Variable Division GF Support as % of Total Dept. GF Expenditures	5.73%								
Total PCS Overhead Costs		\$1,324	\$1,376	\$1,429	\$1,485	\$1,542	\$1,602	\$1,665	\$1,729
Total Parks and Community Services Expenditures		\$24,450	\$25,400	\$26,388	\$27,414	\$28,479	\$29,587	\$30,737	\$31,932

Table 15: Police Department Expenditures

Police Department Expenditures	05/06 Budget	Cumulative Absorption (Year)							
		2005\$	2006	2007	2008	2009	2010	2011	2012
Net General Fund Expense + Public Safety Tax and Prop. 172	\$11,643,925								
Total Current DUEs (Non-Adjusted) (a)	28,021								
Current Average Cost Per DUE	\$416								
Percentage of DUE costs that are variable	75%								
Variable costs per DUE	\$312								
Project DUEs (Non-Adjusted)	203								
Estimated Police Department Expenditures		\$63,267	\$66,373	\$69,632	\$73,051	\$76,638	\$80,401	\$84,349	\$88,490

Notes:

	Pct. Of Dept.	
(a) Assumed average annual increase in PD non-personnel costs	3.0%	21.1%
Assumed average annual increase in PD personnel costs	5.4%	78.9%
Assumed overall average annual increase in PD costs	4.9%	

Table 16: Fire Department Expenditures

	05/06 Budget	Cumulative Absorption (Year)							
		2005\$	2006	2007	2008	2009	2010	2011	2012
Fire Department Expenditures									
Net General Fund Fire Department Expenditure + Public Safety Tax and Prop. 172	\$7,043,221								
Plus Cost of Additional Fire Station	\$0								
Total Future Fire Dept. GF Cost	\$7,043,221								
Total Current DUEs	28,021	28,021	28,021	28,021	28,021	28,021	28,021	28,021	28,021
Plus Project DUEs	203	203	203	203	203	203	203	203	203
Total DUEs, Current Plus Project	28,224	28,224	28,224	28,224	28,224	28,224	28,224	28,224	28,224
Average Future Cost Per DUE	\$250								
Percentage of DUE costs that are variable	75%								
Variable costs per DUE	\$187	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187
Cost Allocation to Project		\$37,994	\$39,910	\$41,924	\$44,038	\$46,260	\$48,593	\$51,045	\$53,620

Table 17: General Government Expenditures

	05/06 Budget	Cumulative Absorption (Year)							
		2005\$	2006	2007	2008	2009	2010	2011	2012
City Council	\$112,722								
City Attorney	\$306,188								
City Manager's Office	\$1,984,202								
Finance	\$1,407,656								
Sub-Total General Government General Fund Expenditures	\$3,810,768								
Resident DUEs	22,782	-	-	-	-	-	-	-	-
Employee DUEs	5,239	75	75	75	75	75	75	75	75
Employee DUE reduction factor: Employee DUEs equal Adjusted Employee DUEs	5,239	75	75	75	75	75	75	75	75
Total Adjusted DUEs	28,021								
Average Cost Per Adjusted DUE	\$136								
Percent Affected by Growth	75%								
Total Growth-Related Cost Per Adjusted DUE	\$102								
Project Residential DUEs	-								
Project Employee DUES	203								
Adjusted Project Employee DUES	203								
Total Adjusted Project DUES	203	75	75	75	75	75	75	75	75
Total General Government Expenditure		\$7,650	\$7,938	\$8,237	\$8,547	\$8,868	\$9,202	\$9,549	\$9,908

Table 18: Summary of Fiscal Impacts for City of Davis - Second Street Crossing

Revenues	2008	2009	2010	2011	2012	2013
Property Taxes	\$53,088	\$54,150	\$55,233	\$56,337	\$57,464	\$58,613
Property Transfer Tax	\$0	\$0	\$0	\$0	\$0	\$0
Sales and Use Taxes	\$659,099	\$678,872	\$699,238	\$720,215	\$741,821	\$764,076
Prop. 172 Public Safety Sales Tax	\$24,093	\$24,816	\$25,561	\$26,327	\$27,117	\$27,931
Municipal Service Tax	\$16,628	\$17,127	\$17,641	\$18,170	\$18,715	\$19,277
Parks Maintenance Tax	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040
Public Safety Tax	\$20,318	\$20,927	\$21,555	\$22,202	\$22,868	\$23,554
Transient Occupancy Tax	\$0	\$0	\$0	\$0	\$0	\$0
Business License Tax	\$33,745	\$34,757	\$35,800	\$36,874	\$37,980	\$39,119
Franchise Fees	\$3,562	\$3,669	\$3,779	\$3,893	\$4,009	\$4,130
0.65% Motor Vehicle License Fees	\$0	\$0	\$0	\$0	\$0	\$0
Property Tax In-Lieu of Vehicle License Fees	\$19,191	\$19,575	\$19,967	\$20,366	\$20,773	\$21,189
Fines and Forfeitures	\$265	\$273	\$281	\$289	\$298	\$307
Sub-Total Revenues	\$831,029	\$855,206	\$880,093	\$905,713	\$932,086	\$959,235
Expenditures	2008	2009	2010	2011	2012	2013
Public Works	\$720	\$754	\$790	\$827	\$865	\$906
Planning and Building	\$2,102	\$2,201	\$2,304	\$2,412	\$2,526	\$2,644
Parks and Community Services	\$27,414	\$28,479	\$29,587	\$30,737	\$31,932	\$33,173
Police	\$73,051	\$76,638	\$80,401	\$84,349	\$88,490	\$92,835
Fire	\$44,038	\$46,260	\$48,593	\$51,045	\$53,620	\$56,325
General Government	\$8,547	\$8,868	\$9,202	\$9,549	\$9,908	\$10,281
Sub-Total Expenditures	\$155,872	\$163,201	\$170,877	\$178,918	\$187,341	\$196,164
NET GENERAL FUND BALANCE	\$675,157	\$692,005	\$709,217	\$726,795	\$744,746	\$763,071

<u>Variables</u>	
Estimated DUE's	203
Assessed value/Sq ft	\$ 193
Assumed \$ in sales/Sq ft (weighted ave)	\$ 281
Target	\$ 300
Other Retail	\$ 225
Assumed net new sales	75%

Table 19: Impact of Changes in Key Assumptions

	2008	2009	2010	2011	2012	2013
Net change to the General Fund						
Assumed Net New Sales @ 90%	\$811,795	\$832,743	\$854,176	\$876,104	\$898,533	\$921,473
Assumed Net New Sales @ 75%	\$675,157	\$692,005	\$709,217	\$726,795	\$744,746	\$763,071
Assumed Net New Sales @ 60%	\$538,518	\$551,268	\$564,257	\$577,487	\$590,958	\$604,670
Effect of higher or lower sales on net change to General Fund Balance						
Target Sales/Sq Ft \$250, NNS 75%	\$579,565	\$593,546	\$607,804	\$622,340	\$637,156	\$652,255
Target Sales/Sq Ft \$300, NNS 75%	\$675,157	\$692,005	\$709,217	\$726,795	\$744,746	\$763,071
Target Sales/Sq Ft \$350, NNS 75%	\$770,748	\$790,464	\$810,630	\$831,251	\$852,335	\$873,888
Value of standard sales tax and amount from Measure P (Due to sunset in 2010)						
Sales Tax w/o Meas. P (NNS 75%, TS \$300/sf)	\$439,399	\$452,581	\$466,159	\$480,143	\$494,548	\$509,384
Measure P Sales Tax (NNS 75%, TS \$300/sf)	\$219,700	\$226,291	\$233,079	\$240,072	\$247,274	\$254,692
Total Sales Tax	\$659,099	\$678,872	\$699,238	\$720,215	\$741,821	\$764,076
Property Tax assumptions (\$115/sf, \$154/sf, \$193/sf)						
Assessed value 25% lower than estimated	\$36,352	\$37,442	\$38,566	\$39,337	\$40,124	\$40,926
Assessed value based on developer projection	\$48,538	\$49,994	\$51,494	\$52,524	\$53,574	\$54,645
Assessed value 25% higher than estimated	\$61,008	\$62,838	\$64,723	\$66,018	\$67,338	\$68,685
Police Expense based on projected DUE's, standard retail DUE's and Hotel DUE level						
Police cost base model (864sf/emp = 75 DUEs)	\$26,989	\$28,315	\$29,705	\$31,163	\$32,693	\$34,299
Police cost (500 sf/emp = 129 DUEs)	\$46,422	\$48,701	\$51,092	\$53,601	\$56,233	\$58,994
Police cost (300 sf/emp = 216 DUEs)	\$77,729	\$81,546	\$85,550	\$89,750	\$94,157	\$98,780